

# **City of Lynchburg CSA Program**

*Follow Up Review  
Of Program Procedures*

**August 22, 2005**

**Prepared by the Internal Audit Department**

## Introduction

The intent of the Comprehensive Services Act (CSA) passed in 1992, was “to create a collaborative system of services and funding that is child-centered, family-focused and community-based when addressing the strengths and needs of troubled and at-risk youths and their families in the Commonwealth”.

A single pool of funds consolidates a number of previous State grants from Social Services, Education, Public Health, Juvenile Court Services, and Community Services Boards. This pool, along with a local funding share, is used to provide services to the CSA designated population.

A Community Policy Management Team (CPMT) is responsible for establishing policy and approving funding. The mandatory membership of this team consists of the local agency heads (or their designees) from the Community Services Board, Department of Social Services, Health Department, Juvenile Court Services Unit, School division, and a parent representative, a private provider representative and at least one elected official or appointed official.

The Internal Audit Department performed an audit of the CSA program procedures in 1998 and reported several weaknesses in policies and procedures as well as controls over purchase of services, documentation and payment of services. At the request of the Deputy City Manager, this review was performed to determine whether the recommendations outlined in the 1998 audit were implemented, and to address additional objectives included below.

Procedural changes implemented since 1998 eliminated the need to follow up on some issues. In 1998, we reported missing and duplicated purchase order numbers and recommended a procedure to ensure control of the documents. The City now prepares all of the purchase orders on Harmony, an automated system which pre-numbers each document, making it unnecessary to log purchase orders and monitor for missing numbers. We also recommended that approved funding requests be signed by a CPMT representative and attached to the CPMT minutes. Funding Request Forms are no longer used and a listing of all approved, denied and modified funding requests are attached to CPMT minutes.

## Objectives

The objectives of our review were to determine whether:

- 1) Vendors are being paid within 45 days as required by State Code;
- 2) The appropriate persons are exercising signature authority in the payment approval process;
- 3) Staff is confirming that the services authorized by CPMT are actually being delivered;

- 4) Staff is upholding the terms and conditions of contracts with vendors and vice versa;
- 5) Written procedures for CPMT are in alignment with actual practice; and
- 6) The following recommendations outlined in the 1998 audit were implemented:
  - The CPMT procedures were revised, and by-laws are signed and dated;
  - Funding requests are properly approved;
  - Documentation of approved funding is properly distributed;
  - Purchase Orders are properly approved;
  - Invoices have adequate support for the services performed, purchase orders and funding approvals are attached; and
  - Payments are accurate and properly approved.

## **Scope of Work**

The audit covered the period of July 1, 2004 through April 30, 2005 and included a review of CPMT By-Laws and procedures, minutes of CPMT meetings, client and vendor files, vendor contracts, purchase orders, invoices and payments.

The audit was conducted in accordance with professional internal auditing and generally accepted governmental auditing standards specified in the City's Internal Audit Charter and, accordingly, included such tests of records and other audit procedures as were considered necessary in the circumstances.

The Internal Audit Department is free from organizational impairments to independence in our reporting as defined by government auditing standards. We report directly to an audit committee and, administratively to the city manager and are organizationally outside the staff or line management function of the areas we audit.

## **Opinion On Internal Controls**

The objectives of a system of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are properly recorded.

It is our opinion that controls over procurement, vendor contracting and payment processing need to be strengthened to ensure that contracts are current and complete, services are properly approved, purchase orders are prepared timely and vendor invoices are properly supported.

## Conclusions

Based on the results of our testing, we conclude that:

- Purchase orders and vendor payments are not prepared in a timely manner;
- Required documentation was not in the CSA client files;
- Services are often performed prior to the preparation of purchase orders;
- Vendor contracts are incomplete and are not in compliance with City insurance requirements; and
- Written procedures are not in alignment with procurement practices.

We further conclude that:

- CPMT By-Laws have been signed, but need to be updated;
- Procedures reviewed in 1998 have been revised;
- Purchase orders are approved by the CPMT Chair;
- Documentation of approved funding is not distributed to case managers; and
- Invoices do not always have adequate support.

## Observations and Suggestions

### I. Policies and By-Laws

The By-Laws maintained by the Comprehensive Services Act (CSA) unit are dated 1993 and reference an outdated section of the Code of Virginia. The CSA section was recodified in October of 2001. According to management's response to the audit performed in 1998, the CPMT was to hold a full-day retreat to revise and amend the By-Laws.

The By-Laws also establish the term of officers "for one year with the Vice-Chair assuming the position of Chair. No officer may serve more than two consecutive terms in the same office". The current Chair has occupied the office for over two years. Although the CPMT Policies and Procedures were revised in 1998, the *Duties and Responsibilities* section still states that "Officers will be elected by the CPMT and will serve terms and have powers and duties as outlined in the By-Laws".

Additionally, the local CPMT policies and procedures state "The CPMT will follow City procedures and purchasing regulations for obtaining bids in the development of services". According to the Virginia Public Procurement Act, "...any public body purchasing services under the *Comprehensive Services Act for At-Risk Youth and Families*" is exempt from competitive sealed bidding and competitive negotiation.

Suggestion

We suggest that the CPMT update the By-Laws to reference the correct section of the State Code, modify the *Duties and Responsibilities* section to reflect actual practices and include the procurement exemption in the CPMT policies and procedures.

*Management's Response:*

*We agree. The Community Policy and Management Team (CPMT) has formed a committee to review the By-Laws and will make a recommendation to either make changes to the existing By-Laws or comply with them.*

II. Vendor Contracts

According to CSA Procedures, the CPMT will develop and enter into annual contracts with vendors. During the review period, a standard contract was used that included specific requirements. There was also a modification clause stating that the contract shall not be amended, modified or otherwise changed except by written consent of the Provider and Buyer given in the same manner as the original signing of the contract.

We reviewed files for seven vendors and found that:

- Insurance policies on file had expired for 5 of the 7 vendors;
- The contract for one vendor had expired;
- Required sections of the contract were either not completed or entire sections were lined through for 4 of the vendors;
- One contract was not signed by a City representative; and
- The City was not named as an additional insured, as required by the contract, for 6 of the 7 vendors.

There were no modification agreements in the files. Where sections were lined through, some of the vendors initialed the omission; however, there were no Buyer initials on the documents indicating that the CPMT was in agreement with the changes.

We were told by CSA staff that vendors must make presentations and be approved by the CPMT prior to contracting their services; however we noted that one of the contract agreements was signed on October 26, 2004, prior to making a presentation to the CPMT on November 9, 2004. It was also our understanding that background checks are not performed on vendors prior to initiating contracts.

Without complete current contracts in place, the City may be at risk due to vendor negligence, default or criminal activity. All insurance policies should be kept current and include the City as an additional insured. Due to the nature of the services provided, extreme care should be taken to ensure legitimacy and professionalism of the vendors.

Suggestion

We suggest that CPMT approve vendors prior to initiating contractual agreements, and that background checks be performed to ensure their good standing. We also suggest that vendors be required to complete all sections of the contract and that contract modifications be supported with written consent by both the provider and a CPMT representative. Current insurance policies and addendums, naming the City as an additional insured, should be maintained in the vendor files.

*Management's Response:*

*We agree. New vendors now are required to deliver a presentation to the Quality Assurance Team or CPMT outlining their services prior to initiating a contract.*

*Licensed or certified employers are to perform all background checks on all employees. Non-licensed employers must provide a background check at their expense prior to initiating a contract. This is addressed on page 11 of the new draft for **Mentoring Standards** which will be presented September 13, 2005 to CPMT for consideration of adoption. This also addressed on page 11, section 27, Child Protective Service Registry and Criminal Background Checks in the new **Agreement for Services** for Fiscal Year 2006.*

*All contracts must be completed in full. If the contract is modified both the provider and the CPMT chairperson must initial all changes.*

*The issue concerning insurance is addressed in the new **Agreement for Services** for Fiscal Year 2006 on page 8, section 18, Insurance. The City Office of Risk Management will ensure compliance.*

*The CSA Office will be responsible to make certain that background checks are performed, contracts are completed in full, insurance is in place, and both the provider and CPMT chairperson initial any changes in the contract.*

III. CSA Client Files

Minimum documentation guidelines for client files have been approved by the State Executive Council. According to the program manual, each local CPMT “shall adopt written policies and establish procedures for management of the Individual Family Service Plans and other documentation consistent with minimum state and federal requirements”. An inventory of required documentation is included in an appendix to the manual.

We reviewed 10 client files for completeness and noted the following missing documents:

- 9 of the files did not include a Parental Consent to Release Information;
- 8 did not include an "Assessment of Parental Co-payment";
- 3 did not include assessment data;
- 2 of 10 files did not include a CAFAS (Child and Adolescent Functional Assessment System) or PECFAS (Preschool and Early Childhood Functional Assessment System);
- None of the files included a Vendor Treatment Plan;
- 9 did not include a Vendor Progress Report;
- None of the files included Utilization Review Data; and
- 2 did not include updated Service Plans.

Although not a requirement, the IFSP's (Individual Family Service Plans) on file did not indicate amounts requested for 8 of the 10 purchase orders, nor requested service dates for 6 of the purchase orders. Although this information is attached to the CPMT minutes when approved, the client file does not include a complete case history.

It appears that there is little follow up to ensure that all documentation is obtained and maintained. The files were not in any specific order and there was no check list to ensure completeness of the records for compliance with State requirements.

#### Suggestion

We suggest that procedures be put in place to ensure the maintenance of required documentation in the CSA client files. We also suggest that the "documentation inventory" list in the State CSA Manual be utilized to ensure compliance. If documentation procedures are not already in place, a written policy and established procedures should be addressed by the CPMT.

#### *Management's Response:*

*We agree. A document inventory form is already in place and being used by the CSA Office to ensure that all required documentation is in the client's CSA file.*

#### IV. Purchase Orders/Vendor Payments

Prior to the latter half of 2004, purchase orders for CSA approved funds were prepared by the Special Funds Unit in the Accounting Section of Human Services. During the period of our review, purchase orders were prepared by the CSA office.

We tested 32 purchase orders and related payments for services performed between July of 2004 through April of 2005 for proper approvals, timeliness of invoice payments, and adequate support documentation and noted the following:

- Fifteen, or 47%, of the 32 purchase orders were not prepared prior to the services being performed. The time elapsed between services and the purchase order dates ranged from 1 to 6 months.
- Sixteen, or 20%, of 81 invoices associated with the purchase orders were not paid until 59 to 215 days after the services were delivered.

As of June 20, 2005, the Special Funds Unit was holding 30 invoices for which purchase orders had not been prepared. Some of the services were performed during October, November and December of 2004. The City is not in compliance with State requirements to pay all invoices within 45 days of the invoice date or the date of service, depending on which date is the later.

We also discovered that there was an internally-circulated procedure for preparing purchase orders, dated February 4, 2005, and an official procedure approved by the CPMT, dated February 8, 2005. The internal document included an additional paragraph stating that the Special Funds Unit will prepare internal purchase orders for agreements entered into prior to CPMT approval. The purchase orders were to be sent to the CSA office to present to the CPMT.

According to the Special Funds staff, they were not preparing these purchase orders, and were returning the documents to the Case Managers for submission to the CSA office. However the CSA staff did not prepare the purchase orders because services had not been approved by the CPMT. The untimely processing of documents may have been the result of this situation. It is our opinion that communication lines were not properly established between the Special Funds Unit and the CSA Office. Accountability for preparing the purchase orders was not assigned by management.

#### Suggestion

It is our understanding that the Special Funds Unit began preparing all of the CSA purchase orders effective July 1, 2005. It is important that clear communication lines be established between the Unit and the CSA Office. Management should also assign accountability for timely payment of invoices to ensure compliance with the State Prompt Payment Act.

#### *Management's Response:*

*We agree. The Special Funds Unit as of July 1, 2005 is now responsible for typing all CSA purchase orders. The CSA Office is responsible for preparing a spreadsheet after each CPMT meeting for all services approved by CPMT at the meeting. This spreadsheet is verified and signed by the CPMT chairperson and sent to the Special Funds Unit to prepare the purchase orders.*



## V. Purchasing Practices

All cases requiring CSA funds, except foster care maintenance, are subject to the Family Assessment and Planning Team (FAPT) process. There are six (6) FAP teams, appointed by the CPMT, who prepare treatment/service plans for the clients. One team meets weekly, while the remaining teams meet the first and third Tuesday of each month. The CPMT meets twice a month to review the recommendations and approve/disapprove funding for the services.

A major goal of foster care is to return the children back to stable homes. There is a required timeframe in which Case Managers have to provide treatment for parents and/or children to determine the best placement scenario for the clients. When services are delayed due to untimely funding, a child may be returned to an unhealthy environment. Since the case must be assessed by a FAPT and then reviewed by the CPMT, it may take longer than a month to obtain approved funding and even longer for actual services to begin. (This excludes cases of emergency placement which must be reviewed by a FAPT within 14 days of the placement.)

The State manual requires that the CPMT “ensure that children and youths who are mandated to receive services have access to funds without delay”. According to State procedures, the CPMT has the authority to designate certain expenditures by the FAP teams without additional review or authorization. Currently, all funding requests must be reviewed by the CPMT.

### Suggestion

We suggest that the CPMT consider authorizing certain expenditures to the FAP teams in order to ensure *funding without delay* to those clients who are mandated to receive services under the Comprehensive Services Act.

### *Management's Response:*

*We agree. We share the concern that mandated services should be funded without delay. CPMT only meets twice a month but we are able to poll the CPMT to review and approve certain cases to speed up the approval process.*

*We will Reconvene CPMT FAPT subcommittee to review FAPT procedures and practices and make recommendations to CPMT by December 31, 2005.*

## VI. Funding Requests

Case managers submit funding requests for FAPT-related cases to the CSA office for presentation to the CPMT. However, they do not receive a copy of the resulting approved/denied purchase order. Management's response to the 1998 audit stated “The original purchase order is now forwarded to the Account Clerk III, with copies to the service provider and the case manager”.

We noted several purchase orders for which the funding amount and/or length of service had been changed. Since copies of the documents are not sent to the case managers, they did not receive notice of these changes. For some, services had already exceeded the approved length of service because the purchase orders were not prepared timely.

Most of the changes made to the dates of service were made for residential care funding requests. Until recently, funding was approved for 6-month increments and the cases were revisited in 6 months. Changes noted during this review reduced the length of services to 2, 3 or 4 months. Therefore, more funding requests had to be reviewed by a FAPT and the CPMT, and more paperwork was created by preparing two or three times the number of purchase orders during a 12-month period.

#### Suggestion

We suggest that the CSA Coordinator send copies of all approved, amended or denied purchase orders to the appropriate Case Managers. We also suggest that the CPMT consider whether the current practice of reducing the lengths of service for residential services is beneficial due to the added time and expense encountered.

#### *Management's Response:*

*We agree. The CPMT agency representative is responsible to communicate all CPMT decisions to the respective agency Case Manager.*

*We also agree that CPMT should give careful thought before reducing the length of service for residential services after initially approving them.*

#### VII. Support Documentation

Invoices for services such as mentoring did not have adequate documentation to support performance of the services. Vendors submit invoices, indicating the dates and number of hours spent mentoring clients, but there is no authorization from the case managers, parents, foster parents or other guardians to support the charges. Some foster parents maintain records of services such as therapy and mentoring sessions for children in their homes. We compared these records maintained for one foster child to vendor invoices submitted for the same period and found billing for 7 days that were not recorded by the foster parent.

#### Suggestion

We suggest that management require substantiation of services prior to payment of vendor invoices.

*Management's Response:*

*We agree. We will only pay for services rendered and these are the policies that we have in place to ensure that this occurs:*

- *The **Agreement for Services** on page 2, section 2c, gives the specifics of progress reports to be supplied by the provider to the Case Managers.*
- *The Utilization manager reviews cases and reports discrepancies.*
- *Case Managers should immediately report to the CSA Office when progress reports are not received or any discrepancies with the progress reports*

**VII. Automated Systems**

Program expenditure information must be entered into three systems by the Financial Technician III in the Special Funds Unit. The Harmony system, specifically related to Social Services programs, maintains client and service provider information and produces purchase orders for services. The Welfare system, a program written in-house, produces the actual checks for payment. Payment data is also entered into the State's CSA website for purposes of reimbursement.

The Welfare system was written to facilitate payment to service providers prior to the purchase of Harmony. It prints a separate check to a vendor for each client for whom services were billed. In addition, the Information Technology Department (I. T.) prints warrant registers (payment listings) from the system for reconciling and posting to the general ledger. This system must also be reconciled to the information on Harmony, creating additional work for the Special Funds Unit.

The I. T. department recently worked with Human Services and Financial Services personnel to link Harmony data to the check writer in Financial Services and the general ledger on New World Systems. Currently the work has been suspended. Harmony is capable of producing one check for each service provider and referencing the individual payments on the check stub. Additionally, it is possible to interface with New World Systems to eliminate manual entry of the payments to the general ledger.

**Suggestion**

We suggest that management re-initiate the plan to interface Harmony with the check writer and general ledger to increase the efficiency of operations. The interface will reduce time needed for data entry and reconciliation, reduce costs by eliminating the Welfare system registers, reduce the quantity of checks issued and eliminate the need for I. T. involvement in the process.

*Management's Response:*

*We agree. At the current time we are working with I. T. personnel to send a check file from the Harmony Information System to them to process checks. They will then send the file to the City's Finance Department in order for them to write the checks.*

*Currently, there are neither meetings nor discussions taking place with our department to integrate Harmony with the City's General Ledger System (New World System). Neither is there any discussion of eliminating the work of I. T. by sending the check file directly to the Finance Department.*

**Other Comments**

We appreciate the assistance we received from the employees in the CSA office, Special Funds Unit and Social Services Division while conducting this review. We are available to discuss this report should there be any questions or concerns.

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Carol J. Bibb, Internal Audit Director

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Emmie Boley, Staff Auditor

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